# State of South Carolina



1401 MAIN STREET, SUITE 1200 COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA DEPUTY STATE AUDITOR

February 27, 2008

(803) 253-4160 FAX (803) 343-0723

Mr. Greg Williams, Reimbursement Manager Sava Senior Care Administrative Services, LLC 5300 West Sam Houston Parkway North, Suite 200 Houston, Texas 77041

Re: AC# 3-PGV-J4 - GranCare South Carolina, Inc. d/b/a Prince George Healthcare Center

Dear Mr. Williams:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2003 through September 30, 2004. That report was used to set the rate covering the contract period beginning October 1, 2005.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the <u>Code of Laws of South Carolina, 1976</u>, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Yours very truly,

Richard H. Gilbert, Jr., CPA

**Deputy State Auditor** 

# RHGjr/ms

cc: Ms. Brenda L. Hyleman

Mr. Jeff Saxon

Ms. Kathleen C. Snider

### GRANCARE SOUTH CAROLINA, INC. D/B/A PRINCE GEORGE HEALTHCARE CENTER

### GEORGETOWN, SOUTH CAROLINA

CONTRACT PERIOD BEGINNING OCTOBER 1, 2005 AC# 3-PGV-J4

# AGREED-UPON PROCEDURES REPORT ON CONTRACT

**FOR** 

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 4, 2007

Department of Health and Human Services State of South Carolina Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GranCare South Carolina, Inc. d/b/a Prince George Healthcare Center, for the contract period beginning October 1, 2005, and for the twelve month cost report period ended September 30, 2004, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Prince George Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

- 1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GranCare South Carolina, Inc. d/b/a Prince George Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report.
- 2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and GranCare South Carolina, Inc. d/b/a Prince George Healthcare Center dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services State of South Carolina October 4, 2007

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Richard H. Gilbert, Jr., CPA

Deputy State Auditor

Computation of Rate Change For the Contract Period Beginning October 1, 2005 AC# 3-PGV-J4

	10/01/05- 09/30/06
Interim Reimbursement Rate (1)	\$124.01
Adjusted Reimbursement Rate	118.44
Decrease in Reimbursement Rate	\$ <u>5.57</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 17, 2007.

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2005 Through September 30, 2006
AC# 3-PGV-J4

	Incentives	Allowable Cost	Cost Standard	Computed Rate
Costs Subject to Standards:				
General Services		\$ 60.88	\$ 75.11	
Dietary		11.41	12.63	
Laundry/Housekeeping/Maintenance		7.30	10.97	
Subtotal	\$ <u>6.91</u>	79.59	98.71	\$ 79.59
Administration & Medical Records	\$ <u>1.01</u>	15.12	16.13	15.12
Subtotal		94.71	\$ <u>114.84</u>	94.71
Costs Not Subject to Standards:				
Utilities		2.94		2.94
Special Services		.16		.16
Medical Supplies & Oxygen		4.97		4.97
Taxes and Insurance Legal Fees		2.35 		2.35
TOTAL		\$ <u>105.13</u>		105.13
Inflation Factor (4.70%)				4.94
Cost of Capital				6.62
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of	Allowable Cos	t)		1.01
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit	Incentives			(6.17)
ADJUSTED REIMBURSEMENT RATE				\$ <u>118.44</u>

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-PGV-J4

Expenses	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustm <u>Debit</u>	ents <u>Credit</u>	Adjusted Totals
General Services	\$3,255,386	\$ 819 (6)	\$55,194 (2) 21 (4) 3,452 (5) 172 (5) 2,348 (8) 10,420 (9)	\$3,184,598
Dietary	615,610	516 (6) 18,029 (7)	1,946 (4) 349 (5) 18,872 (8) 16,241 (9)	596,747
Laundry	100,123	-	624 (4) 2,942 (8)	96,557
Housekeeping	147,326	5,243 (7)	5,765 (8)	146,804
Maintenance	127,373	14,722 (6) 29,309 (7)	4,658 (4) 66 (5) 28,148 (8)	138,532
Administration & Medical Records	844,177	651 (2) 13,204 (7)	328 (5) 28 (5) 58,682 (6) 7,909 (8) 33 (9)	791,052
Utilities	155,889	259 (7)	34 (6) 2,443 (8)	153,671
Special Services	8,404	131 (6) 537 (9)	466 (5)	8,606
Medical Supplies & Oxygen	298,267	44,694 (2)	1,410 (4) 43 (5) 2,767 (8) 78,697 (9)	260,044

Summary of Costs and Total Patient Days For the Cost Report Period Ended September 30, 2004 AC# 3-PGV-J4

	Totals (From Schedule SC 13) as	Adjust	ments	Adjusted
Expenses	Adjusted by DH&HS	<u>Debit</u>	<u>Credit</u>	Totals
Taxes and Insurance	171,967	17,877 (7)	40,342 (3) 150 (6) 26,437 (8)	122,915
Legal Fees	-	-	-	-
Cost of Capital	398,609	449 (7)	671 (1) 49,821 (6) 888 (8) 1,535 (10)	346,143
Subtotal	6,123,131	146,440	423,902	5,845,669
Ancillary	197,018	9,849 (2)	-	206,867
Nonallowable	1,584,669	671 (1) 40,342 (3) 4,904 (5) 92,499 (6) 98,519 (8) 104,854 (9) 1,535 (10)	84,370 (7)	1,843,623
CNA Training and Testing	a <u> </u>	<del>-</del>		
Total Operating Expenses	\$ <u>7,904,818</u>	\$ <u>499,613</u>	\$ <u>508,272</u>	\$ <u>7,896,159</u>
Total Patient Days	<u>52,281</u>	<u>25</u> (11)		52,306
Total Beds	<u>148</u>			

Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-PGV-J4

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1		÷ 2.754	
1	Accumulated Depreciation Other Equity	\$ 3,754 3,677	
	Nonallowable	671	
	Fixed Assets	071	\$ 7,431
	Cost of Capital		671
	To adjust fixed assets and related		
	depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Administration	651	
	Medical Supplies	44,694	
	Ancillary	9,849	
	Nursing		55,194
	To reclassify expense to the proper		
	cost center		
	DH&HS Expense Crosswalk		
3	Nonallowable	40,342	
	Taxes and Insurance		40,342
	To adjust liability insurance		
	expense		
	HIM-15-1, Section 2304		
4	Retained Earnings	8,659	
	Nursing		21
	Dietary		1,946
	Laundry		624
	Maintenance		4,658
	Medical Supplies		1,410
	To properly charge expense		
	applicable to the prior period		

HIM-15-1, Section 2302.1

Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-PGV-J4

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
5	Nonallowable	4,904	
	Nursing		3,452
	Restorative		172
	Dietary		349
	Maintenance Administration		66
	Medical Records		328 28
	Medical Records  Medical Supplies		43
	Special Services		466
	Special Services		400
	To adjust fringe benefits and		
	related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
6	Nursing	819	
	Dietary	516	
	Maintenance	14,722	
	Special Services	131	
	Nonallowable	92,499	
	Administration		58,682
	Utilities		34
	Taxes and Insurance		150
	Cost of Capital		49,821
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Dietary	18,029	
,	Housekeeping	5,243	
	Maintenance	29,309	
	Administration	13,204	
	Utilities	259	
	Taxes and Insurance	17,877	
	Cost of Capital	449	
	Nonallowable		84,370

To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D

Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-PGV-J4

ADJUSTMENT			
NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
8	Nonallowable Restorative Dietary Laundry Housekeeping Maintenance Administration Utilities Taxes and Insurance Medical Supplies Cost of Capital  To remove indirect cost applicable	98,519	2,348 18,872 2,942 5,765 28,148 7,909 2,443 26,437 2,767 888
9	to non-reimbursable cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D  Special Services	537	
	Nonallowable  Nursing  Dietary  Administration  Medical Supplies  To remove special (ancillary)	104,854	10,420 16,241 33 78,697
	services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Nonallowable  Cost of Capital  To adjust capital return	1,535	1,535
	State Plan, Attachment 4.19D		

Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-PGV-J4

ADJUSTMENT <u>NUMBER</u>	ACCOUNT TITLE	<u>DEBIT</u>	CREDIT
11	<pre>Memo Adjustment: To increase total patient days by 25 to 52,306</pre>		
	TOTAL ADJUSTMENTS	\$ <u>515,703</u>	\$ <u>515,703</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-PGV-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	2.71494
Deemed Asset Value (Per Bed)	42,402
Number of Beds	148
Deemed Asset Value	6,275,496
Improvements Since 1981	393,021
Accumulated Depreciation at 9/30/04	( <u>1,563,472</u> )
Deemed Depreciated Value	5,105,045
Market Rate of Return	.0516
Total Annual Return	263,420
Return Applicable to Non-Reimbursable Cost Centers	(2,005)
Allocation of Interest to Non-Reimbursable Cost Centers	
Allowable Annual Return	261,415
Depreciation Expense	132,757
Amortization Expense	2,426
Capital Related Income Offsets	(49,567)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	(888)
Allowable Cost of Capital Expense	346,143
Total Patient Days (Actual)	52,306
Cost of Capital Per Diem	\$6.62

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